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MAGNUM FUND LIMITED

1967

FORTY-SEVENTH
ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 1967

MAGNUM FUND LIMITED

Incorporated under the laws of Canada

HEAD OFFICE: 25 King Street West, Toronto 1, Canada

BOARD OF DIRECTORS

HERMANN J. ABS, Frankfurt	BARON LEON LAMBERT, Brussels
T. R. ANDERSON, Minneapolis	N. J. MCKINNON, Toronto
DR. CARLO BOMBIERI, Milan	LEO MODEL, New York
W. E. P. DEROCHE, Q.C., Toronto	GORDON P. OSLER, Toronto
G. PETER FLECK, New York	THE HON. N. C. J. ROTHSCHILD, London
HANS J. FRANK, New York	JONKHEER J. A. G. SANDBERG, The Hague
DAVID G. GUEST, Q.C., Toronto	MAURICE SCHLOGEL, Paris
GEORGES C. KARLWEIS, Geneva	SIR MARK TURNER, London

OFFICERS

<i>Chairman of the Board</i> - - - - -	LEO MODEL, New York
<i>President</i> - - - - -	W. E. P. DEROCHE, Q.C., Toronto
<i>Vice-President</i> - - - - -	G. PETER FLECK, New York
<i>Treasurer</i> - - - - -	A. STANLEY GLUCK, New York
<i>Secretary</i> - - - - -	DAVID G. GUEST, Q.C., Toronto

<i>Investment Counsel</i> - - - - -	MODEL, ROLAND & Co., INC., New York MODEL, ROLAND COMPANY, London
<i>Legal Counsel</i> - - - - -	BLAKE, CASSELS & GRAYDON, Toronto STRASSER, SPIEGELBERG, FRIED & FRANK, New York
<i>Auditors</i> - - - - -	CLARKSON, GORDON & Co., Toronto
<i>Transfer Agent and Registrar</i> - - -	NATIONAL TRUST COMPANY, LIMITED Toronto and Montreal

MAGNUM FUND LIMITED

FORTY-SEVENTH ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your Directors submit herewith their report for the year ended June 30, 1967, together with the consolidated balance sheet as at that date of the Company and Mextram N.V., its wholly-owned subsidiary, and statements of consolidated profit and loss and earned surplus for the year. The statements include comparative figures for the previous year. As usual, the financial statements are expressed in United States currency.

INVESTMENT ACTIVITIES

At the year-end the Fund's net assets, valued on the basis of quoted securities at market and unquoted securities at cost, amounted to \$15,094,900, an increase of \$1,764,200 over the previous year. On the basis of 395,215 shares outstanding, this represents an increase of 13.2% in net asset value per share from \$33.73 at June 30, 1966 to \$38.19 at June 30, 1967.

The following figures indicate the distribution of the Company's investments, grouped according to the issuing company's domicile, as at June 30, 1967, expressed as a percentage of net asset value (previous year's percentage in brackets): United States and Canada (including net current assets), 71.6% (68.4%); Europe, 22.9% (25.3%); Central and South America, 4.9% (5.7%); Japan, .6% (.6%). The decline during the year under review in the proportion of funds invested in European securities was due in part to the sale of a number of European holdings and in part reflects the relative strength of the American stock markets.

In April 1967 the Company paid a dividend of 35¢ per share, the same rate as in the previous year. Your Directors intend to continue making annual distributions in future years from income other than profits realized from the sale of securities.

The funds of your Company and its subsidiary, Mextram N.V., continue to be invested in accordance with our policy of selecting for investment securities of companies domiciled in all parts of the free world, including companies operating in the less developed countries. In addition, Mextram N.V. purchases marketable securities from time to time with a view to taking advantage of short-term market fluctuations which are anticipated either in special situations or because of general market trends.

The following is a summary of investments and other assets as at June 30, 1967:

1. GROUPED ACCORDING TO ISSUING COMPANY'S BUSINESS

	Cost	Approximate market value of quoted securities and cost of unquoted securities and other assets (1)	Percent of total
Miscellaneous manufacturing and retail.....	\$ 2,594,851	\$ 2,824,900	18.7%
Chemical.....	1,597,846	1,933,900	12.8
Oil and gas.....	864,587	1,173,500	7.8
Mining and refining.....	917,864	1,384,900	9.2
Investment and financing.....	658,679	686,900	4.6
Utilities.....	1,230,419	1,541,300	10.2
Real estate and land.....	484,110	560,200	3.7
Pulp, paper and lumber.....	474,252	490,000	3.3
Steel and iron.....	788,139	534,400	3.5
Transportation.....	420,916	527,500	3.5
Electronics.....	391,161	474,100	3.1
Building and construction.....	503,067	415,000	2.7
Foods and beverages.....	447,791	354,000	2.3
Insurance.....	94,488	89,200	0.6
Automobile.....	97,425	62,200	0.4
Net current assets.....	2,042,894	2,042,900	13.6
	<u>\$13,608,489</u>	<u>\$15,094,900</u>	<u>100.0%</u>

2. GROUPED ACCORDING TO ISSUING COMPANY'S DOMICILE

U.S.A. and Canada.....	\$ 7,667,682	\$ 8,771,700	58.0%
Europe.....	3,282,642	3,459,000	22.9
Central and South America.....	555,432	733,300	4.9
Japan.....	59,839	88,000	0.6
Net current assets.....	2,042,894	2,042,900	13.6
	<u>\$13,608,489</u>	<u>\$15,094,900</u>	<u>100.0%</u>

Notes:

- Investments not having a quoted market value are included in the second column above at cost of \$393,598.
- In the determination of cost, foreign currencies have been translated to United States dollars at exchange rates in effect at the time of purchase; in the determination of market value, translations have been made at closing rates on June 30, 1967.

STATEMENT OF PROFIT AND LOSS

As indicated in the statement of consolidated profit and loss, profit from the sale of investments during the year amounted to \$924,236 and income from investments to \$466,995 which, after providing for administrative and other expenses and income taxes, resulted in a net profit for the year of \$1,326,107.

TEN-YEAR RECORD

The results of the activities of the Fund over the past ten years are reflected in the following table on a per share basis:

Fiscal year ended June 30	Number of shares issued	Net assets at market value of quoted securities and cost of unquoted securities(2)	Income from investments	Profit on sale of investments	Administrative and other expenses	Net profit for the year
1958	265,312	14.73	0.41	0.94	0.09	1.26
1959	415,312(1)	17.99	0.37	1.44	0.08	1.73
1960	415,312	20.08	0.72	1.76	0.08	2.40
1961	415,312	24.07	0.68	1.55	0.08	2.15
1962	415,312	22.16	0.81	2.29	0.10	3.00
1963	415,312	26.20	0.76	0.88	0.07	1.57
1964	415,312	29.01	0.74	1.16	0.08	1.82
1965	395,215(3)	30.57	0.87	2.27	0.11	3.03
1966	395,215	33.73	1.00	2.38	0.13	3.25
1967	395,215	38.19	1.18	2.34	0.16	3.36

(1) Reflects sale of 150,000 shares at \$15—\$14.50 net to Company.

(2) After payment of dividend of 30¢ per share in each year from 1962 to 1965 and 35¢ per share in 1966 and 1967.

(3) Excludes 20,097 shares held by subsidiary.

For the Board of Directors

W. E. P. DeRoche

President

Toronto, Canada, August 18, 1967.

AUDITORS' REPORT

To the Shareholders of MAGNUM FUND LIMITED:

We have examined the consolidated balance sheet of Magnum Fund Limited and its subsidiary Mextram N.V. as at June 30, 1967 and the statements of consolidated profit and loss, earned surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records as we considered necessary in the circumstances.

In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as at June 30, 1967 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
July 27, 1967.

CLARKSON, GORDON & CO.
Chartered Accountants

MAGNUM FUND LIMITED

(Incorporated under the laws of Canada)

and its subsidiary, Mextram N.V.

(Incorporated under the laws of the Netherlands Antilles)

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 1967

(In U.S. currency)

(with comparative figures at June 30, 1966)

		ASSETS	
CURRENT:		1967	1966
Cash and deposits.....	\$	747,824	\$ 959,503
U.S. Treasury bills—at cost, which approximates market..		299,038	692,066
Short-term commercial paper—at cost.....		892,986	690,480
Accrued interest and dividends receivable.....		21,964	33,797
Due from brokers.....		124,582	
Foreign income taxes recoverable.....		15,491	
Total current assets.....		<u>2,101,885</u>	<u>2,375,846</u>
INVESTMENTS—AT COST:			
Securities having a quoted market value (market value— 1967, \$12,658,400; 1966, \$10,787,500).....		11,171,997	9,877,469
Securities not having a quoted market value.....		393,598	394,835
		<u>11,565,595</u>	<u>10,272,304</u>
		<u>\$13,667,480</u>	<u>\$12,648,150</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT:		1967	1966
Accounts payable.....	\$	14,066	\$ 21,314
Due to brokers.....		17,176	181,384
Income taxes payable.....		27,749	24,767
Total current liabilities.....		<u>58,991</u>	<u>227,465</u>
SHAREHOLDERS' EQUITY:			
Capital stock—			
Authorized: 1,000,000 shares at \$10 each			
Issued: 415,312 shares.....		4,153,120	4,153,120
Contributed surplus—no change during the year.....		667,616	667,616
Earned surplus.....		9,290,178	8,102,374
		<u>14,110,914</u>	<u>12,923,110</u>
Less 20,097 shares of Magnum Fund Limited held by its subsidiary, Mextram N.V.—at cost.....		502,425	502,425
		<u>13,608,489</u>	<u>12,420,685</u>
		<u>\$13,667,480</u>	<u>\$12,648,150</u>

On behalf of the Board:

HANS J. FRANK, Director

DAVID G. GUEST, Director

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS, EARNED SURPLUS AND SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JUNE 30, 1967

(In U.S. currency)

(with comparative figures at June 30, 1966)

PROFIT AND LOSS

	<u>1967</u>	<u>1966</u>
Income from investments (net of foreign income taxes withheld at source):		
Dividends.....	\$ 336,748	\$ 293,470
Interest.....	105,982	101,967
Other.....	24,265	604
	<u>466,995</u>	<u>396,041</u>
Administrative and other expenses before the following:.....	27,868	24,639
Legal fees.....	5,507	6,443
Provision for income taxes.....	27,749	14,759
Remuneration of directors and senior officers.....	4,000	5,250
	<u>65,124</u>	<u>51,091</u>
	401,871	344,950
Profit on sale of investments.....	924,236	940,913
Net profit for the year.....	<u>\$1,326,107</u>	<u>\$1,285,863</u>

EARNED SURPLUS

Balance, beginning of the year.....	\$8,102,374	\$6,954,814
Net profit for the year.....	1,326,107	1,285,863
	<u>9,428,481</u>	<u>8,240,677</u>
Dividend paid during the year.....	138,303	138,303
Balance, end of the year.....	<u>\$9,290,178</u>	<u>\$8,102,374</u>

SOURCE AND APPLICATION OF FUNDS

Source of funds:		
Net profit for the year.....	\$1,326,107	\$1,285,863
Sales of investments.....	3,334,873	3,362,425
	<u>4,660,980</u>	<u>4,648,288</u>
Application of funds:		
Purchases of investments.....	4,628,164	4,014,660
Dividend paid.....	138,303	138,303
	<u>4,766,467</u>	<u>4,152,963</u>
Increase (decrease) in working capital.....	(105,487)	495,325
Working capital at beginning of year.....	2,148,381	1,653,056
Working capital at end of year.....	<u>\$2,042,894</u>	<u>\$2,148,381</u>

